

INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

STATE STREET BANK AND TRUST COMPANY
Boston, Massachusetts 02111

SHAREHOLDER SERVICING AGENT FOR STATE STREET BANK AND TRUST COMPANY

BOSTON FINANCIAL DATA SERVICES, INC.
P.O. Box 8511
Boston, Massachusetts 02266-8511

CGM Focus Fund

40th Quarterly Report
September 30, 2007

A No-Load Fund

This report has been prepared for the shareholders of the Fund and is not authorized for distribution to current or prospective investors in the Fund unless it is accompanied or preceded by a prospectus.

FQR3 07

Printed in U.S.A.



Investment Adviser
Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund increased 30.2% during the third quarter of 2007 compared to the unmanaged Standard and Poor's 500 Index which rose 2.3%. During the first nine months of the year, CGM Focus Fund increased 60.7% while the unmanaged S&P 500 Index returned 9.5% over the same period.

The third quarter was marked by major deterioration in the homebuilding industry, falling home prices and a jump in residential foreclosures. Investors became suspicious of mortgage-backed securities and lenders tightened credit standards at many levels. The resulting "flight to quality" pushed down yields on the 10-year U.S. Treasury Bond from 5.04% in June 2007 to 4.3% in August at which point the longer bond was trading well below the Federal Funds rate. The equity market, as measured by the S&P 500 Index, fell 9% from a peak of 1,553 on July 19, 2007 to 1,407 on August 15.

In its regularly-scheduled session on August 7, the Federal Reserve Board met without changing the 5.25% Federal Funds rate. At that time, the Fed signaled worry about inflation rather than concern about declining business conditions. However, we believe subsequent media focus on hedge fund losses and roiling off-balance-sheet investments may have played a role in an inter-meeting decision by the Fed on August 17 to boost liquidity in the markets by reducing the Discount Rate from 6.25% to 5.75%. Within a few days after the rate cut, credit conditions seemed to stabilize.

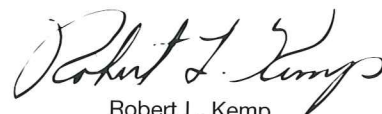
At its next regular meeting on September 18, the Fed reduced both the Discount and the Federal Funds rates by a full half a percent to ward off fears of worsening economic conditions. In addition to credit worries, an unexpected (and as it turned out, faulty) August employment report revealed a loss of 4,000 jobs—the first loss in four years—rather than an anticipated gain of 110,000. (This preliminary number was subsequently revised upwards by some 93,000 jobs.) The size of the Fed's rate cut happily surprised even the forward-looking equity markets and the S&P 500 Index jumped a whopping 2.92% on the day of the announcement. Since then, the S&P has recovered more than 80% of its summer loss to close at 1,527 on September 30. With this latest rate action, we believe the Fed is signaling it is prepared to preempt any further erosion in business conditions.

We have witnessed some slowing in the domestic economy as a result of the homebuilding crisis. However, markets for many U.S. products are global. The so-called BRIC economies (Brazil, Russia, India and China) are expanding and their voracious industrial capacity is applying upward pressure on commodities as well as providing a growing appetite for exports from developed countries such as the U.S. The United States is no longer the world's primary economic powerhouse though business conditions here do still influence other countries. While India and China are raising interest rates to temper growth and inflation, the U.S. is easing interest rates. The dollar has weakened against other currencies increasing our attractiveness as a trading partner and boosting U.S. exports.

Overall economic growth in the United States in terms of real GNP is clocking in at a temperate 1.5% to 2% annual rate. Core inflation is trending lower to a comfortable 1.8% increase for the year ending August 30. The Fed is reducing interest rates. Corporate profits are reaching new highs while average price-to-earnings ratios remain moderate.

The best opportunities, in our judgment, exist in companies with exposure to the global market and we are pursuing strategies that capitalize on the growing consumption of commodities in emerging economies.

CGM Focus Fund held significant long positions in the oil service, metals and mining and independent oil production industries at the end of the third quarter. The Fund's three largest long holdings were Companhia Vale do Rio Doce ADR (mining), CNOOC Limited ADR (oil production) and Open Joint Stock Company "Vimpel-Communications" ADR (telephone). The Fund was also approximately 9% invested in stocks sold short at September 30 (percentage of total net assets). The short positions were in Countrywide Financial Corporation and Sears Holdings Corporation.



Robert L. Kemp
President

October 1, 2007

CGM FOCUS FUND

INVESTMENT PERFORMANCE

(unaudited)

Total Return for Periods Ended September 30, 2007

	<u>The Fund's Cumulative Total Return</u>	<u>The Fund's Average Annual Total Return</u>
10 Years	+675.0%	+22.7%
5 Years	+314.0	+32.9
1 Year	+ 71.9	+71.9
3 Months	+ 30.2	—

The performance data contained in this report represent past performance, which is no guarantee of future results. The table above does not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assumes the reinvestment of all Fund distributions. The investment return and principal value of an investment in the Fund will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

The adviser limited the Fund's total operating expenses to 1.20% of its average net assets exclusive of any dividend expense incurred on short sales through December 31, 2001. Otherwise, the Fund's cumulative total return and average annual total return for the ten year period would have been lower.

CGM FOCUS FUND

INVESTMENTS as of September 30, 2007

(unaudited)

COMMON STOCKS — 96.8% OF TOTAL NET ASSETS

	<u>Shares</u>	<u>Value (a)</u>
Business Services — 4.2%		
Research In Motion Limited (b)(c)	1,880,000	\$ 185,274,000
Copper — 4.9%		
Freeport-McMoRan Copper & Gold Inc.	2,050,000	215,024,500
Engineering — 11.4%		
Fluor Corporation	1,360,400	195,870,392
Foster Wheeler Ltd. (c)	850,000	111,588,000
McDermott International, Inc. (c)	3,670,000	198,473,600
		<u>505,931,992</u>
Fertilizer — 9.8%		
Potash Corporation of Saskatchewan Inc. (b)	2,175,000	229,897,500
The Mosaic Company (c)	3,800,000	203,376,000
		<u>433,273,500</u>
Heavy Capital Goods — 5.1%		
Cummins Inc.	1,750,000	223,807,500
Metals and Mining — 12.6%		
BHP Billiton Limited ADR (d)	2,900,000	227,940,000
Companhia Vale do Rio Doce ADR (d)(e)(f)	8,260,000	280,261,800
Rio Tinto plc ADR (d)	140,000	48,076,000
		<u>556,277,800</u>
Oil – Independent Production — 12.3%		
Canadian Natural Resources Limited (b)	1,125,000	85,218,750
CNOOC Limited ADR (d)	1,426,000	237,329,180
Petróleo Brasileiro S.A. - Petrobras ADR (d)(e)(f)	2,940,000	221,970,000
		<u>544,517,930</u>
Oil Refining — 3.1%		
Suncor Energy Inc. (b)	1,460,000	138,422,600
Oil Service — 14.9%		
Baker Hughes Incorporated	565,000	51,059,050
National Oilwell Varco, Inc. (c)	1,485,000	214,582,500
Schlumberger Limited (f)	2,110,000	221,550,000
Weatherford International Ltd. (c)	2,545,000	170,973,100
		<u>658,164,650</u>
Steel — 9.5%		
ArcelorMittal	2,880,000	225,676,800
POSCO ADR (d)	1,090,000	194,859,300
		<u>420,536,100</u>

CGM FOCUS FUND

INVESTMENTS as of September 30, 2007 (continued)

(unaudited)

COMMON STOCKS (continued)

	Shares	Value (a)
Telephone — 9.0%		
Mobile TeleSystems OJSC ADR (d)	2,330,000	\$ 161,492,300
Open Joint Stock Company "Vimpel-Communications" ADR (d)(f)	8,750,000	236,600,000
		<u>398,092,300</u>
TOTAL COMMON STOCKS (Identified cost \$3,047,862,478)		<u>4,279,322,872</u>

SHORT-TERM INVESTMENT — 1.5% OF TOTAL NET ASSETS

	Face Amount	
American Express Credit Corporation, 4.72%, 10/01/07 (Cost \$66,845,000) ...	\$66,845,000	66,845,000
TOTAL INVESTMENTS — 98.3% (Identified cost \$3,114,707,478) (g)		4,346,167,872
Cash and receivables		619,955,729
Liabilities		(545,165,495)
TOTAL NET ASSETS — 100.0%		<u>\$4,420,958,106</u>

- (a) Security valuation — Equity securities are valued on the basis of valuations furnished by a pricing service, authorized by the Board of Trustees. The pricing service provides the last reported sale price for securities listed on a national securities exchange or, in the case of the NASDAQ national market system, the NASDAQ official closing price. For securities with no sale reported and in the case of over-the-counter securities not so listed, the last reported bid price is used for long positions and the last reported ask price for short positions. Short-term investments have a maturity of sixty days or less are stated at amortized cost, which approximates market value. Other assets and securities which are not readily marketable will be valued in good faith at fair value using methods determined by the Board of Trustees.
- (b) The Fund had approximately 14% of its assets at September 30, 2007 invested in companies incorporated in Canada.
- (c) Non-income producing security.
- (d) An American Depositary Receipt (ADR) is a certificate issued by a U.S. bank representing the right to receive securities of the foreign issuer described. The values of ADRs are significantly influenced by trading on exchanges not located in the United States or Canada.
- (e) The Fund had approximately 11% of its assets at September 30, 2007 invested in companies incorporated in Brazil.
- (f) A portion of this security had been segregated as collateral in connection with short sale investments. The market value of securities held in a segregated account at September 30, 2007 was \$546,801,000 and the value of cash held in a segregated account was \$503,714,120.
- (g) Federal Tax Information: At September 30, 2007 the net unrealized appreciation on investments based on cost of \$3,155,621,755 for Federal income tax purposes was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost. . . .	\$1,191,748,377
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value . . .	(1,202,260)
	<u>\$1,190,546,117</u>

The cost basis and unrealized appreciation/(depreciation) for the schedule of investments and tax purposes differ due to differing treatments of wash sale losses deferred.

SECURITIES SOLD SHORT (Proceeds \$476,538,084)

	Shares	Value (a)
Countrywide Financial Corporation	12,300,000	\$ 233,823,000
Sears Holdings Corporation	1,300,000	165,360,000
		<u>\$ 399,183,000</u>

CGM FOCUS FUND

TELEPHONE NUMBERS

For information about:

- Account Procedures and Status
- Redemptions
- Exchanges

Call 800-343-5678

- New Account Procedures
- Prospectuses
- Performance
- Proxy Voting Policies and Voting Records
- Complete Schedule of Portfolio Holdings for the 1st and 3rd Quarters (as filed on Form N-Q)

Call 800-345-4048

Proxy voting policies also appear in the Fund's Statement of Additional Information, which can be found on the SEC's website, <http://www.sec.gov>. The voting records can also be found on the SEC's website on the Fund's Form N-PX filing.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

MAILING ADDRESS

CGM Shareholder Services
c/o Boston Financial Data Services
P.O. Box 8511
Boston, MA 02266-8511